

tially all of the assets of which (including
assets treated
as held by the entity under section 860I(b)(2))
consist of
permitted assets and

"(E) which is not described in section 851(a).
A rule similar to the rule of the last sentence of section
860D(a)
shall apply for purposes of this paragraph

"(2) ELIGIBLE CORPORATION.—For purposes of
paragraph

(1)(C) the term "eligible corporation" means any
domestic C
corporation other than—

"(A) a corporation which is exempt from
or is not
subject to tax under this chapter.

"(B) an entity described in section 851(a) or 856(a),

"(C) a REMIC, and

"(D) an organization to which part I of
subchapter

T applies

"(3) ELECTION.—An entity (otherwise meeting the
require-

ments of paragraph (1)) may elect to be treated
as a FASIT.

Except as provided in paragraph (5), such an
election shall
apply to the taxable year for which made and all
subsequent

taxable years unless revoked with the consent of
the Secretary.

"(4) TERMINATION.—If any entity ceases to be a
FASIT

at any time during the taxable year, such
entity shall not
be treated as a FASIT after the date of such
cessation

"(5) INADVERTENT TERMINATIONS, ETC.—Rules
similar to
the rules of section 860D(b)(2)(B) shall apply to
inadvertent

failures to qualify or remain qualified as a FASIT.

"(6) PERMITTED ASSETS NOT TREATED AS
INTEREST IN

FASIT.—Except as provided in regulations
prescribed by the
Secretary, any asset which is a permitted asset
at the time
acquired by a FASIT shall not be treated at
any time as
an interest in such FASIT.

"(b) INTERESTS IN FASIT.—For purposes of this part—

"(1) REGULAR INTEREST.—

"(A) IN GENERAL.—The term "regular
interest"

means
any interest which is issued by a FASIT after
the startup
date with fixed terms and which is designated
as a regular
interest if—

"(i) such interest unconditionally
entitles the
holder to receive a specified principal
amount (or other
similar amount).

"(ii) interest payments (or other similar
amounts)
if any, with respect to such interest are

determined
based on a fixed rate, or, except as
otherwise provided
by the Secretary, at a variable rate
permitted under
section 860G(a)(1)(B)(i).

(iii) such interest does not have a
stated maturity
(including options to renew) greater
than 30 years
(or such longer period as may be permitted
by regula-
tions).

(iv) the issue price of such interest does
not exceed
125 percent of its stated principal amount,
and

(v) the yield to maturity on such
interest is less
than the sum determined under section
163(i)(1)(B)

with respect to such interest.

An interest shall not fail to meet the
requirements of
clause (i) merely because the timing (but not
the amount)
of the principal payments (or other similar
amounts) may